Performance of IT Industry

1565. SHRI CHO S. RAMASWAMY: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) what is the turnover of various IT industries during the current financial year;

(b) the percentage of growth/decline in the industry;

(c) what steps are being taken to improve export of software technology during the coming year; and

(d) the foreign exchange earned during the last five years through the IT industry?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI SU. THIRUNAVUKKARASAR): (a) and (b) The turn over of the software industry during the current year (2002-03) and growth percentage is estimated as under:

	Turn over	Growth
Software exports	Rs.47,000 crores	29%
Domestic Software	Rs.13,000 crores	12%

(c) Various steps taken by the Government to improve software export are given in Statement (*See* below).

(d) The software exports during the last five years are given below:

1997-98	—	Rs.6,500 crores
1998-99	—	Rs.10,940 crores
1999-2000	—	Rs.17,150 crores
2000-01	—	Rs.28,350 crores
2001-02	—	Rs.36,500 crores

Statement

Steps taken by the Government to promote the Software Sector

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without a threshold limit on payment of 5% duty.

2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

3. Software Technology Park (STP) Scheme is implemented under the aegis of the Department of Information Technology, Ministry of Communications and Information Technology, through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

4. DTA access upto 50% of the FOB value of export is permitted for software units under EOU/EPZ/STP schemes.

5. Accelerated depreciation norms applicable to computers and computer peripherals for units under Export Oriented schemes(EOU/EPZ/EHTP/STP). These shall stand depreciated to overall limit of 90% over a period of 3 years.

6. The Depreciation on Computers is allowed @ 60%.

7. In the Budget 2002-03, customs duty has been reduced on stepper motors for computers/printers from 5% to 0%, floppy diskette and unrecorded magnetic tape from 15% to 10% and on ink cartridges/ ribbon assembly/ribbon gear assembly/ribbon gear carriage for use in printers for computers from 25% to5%. Customs duty on Computers and Peripherals continues to be @ 15% and all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors continue at 0%. Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) continues @ 15%.

8. Information Technology Software is exempted from Customs and Excise Duty.

9. Second hand capital goods upto 10 years are freely importable.

10. EOU/EPZ/STP units are eligible for Income Tax benefit on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.

11. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) is available to the IT sector.

12. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act covers transmission of data.

13. Benefit of Section 80 HHE is available to supporting software developers.

14. IT Enabled Services are eligible for Income Tax benefit under Sections 10A, 10B and 80HHE of the Income Tax Act.

15. Threshold limit for obtaining "Export House" status reduced to Rs.5 crores from Rs.15 crores for Small Scale Industry, tiny sector, cottage sector, units located in North East States/Sikkim/J&K; exporters exporting to countries in Latin America/CIS/Sub Sahara Africa and units having ISO 9000 (Series) status. The status holders are eligible for the following new/special facilities:

16. 100% retention of foreign exchange in Exchange Earners' Foreign Currency (EEFC) account;

17. Enhancement in normal repatriation period from 180 days to 360 days.

18. The donation of computers, imported duty free by EOU/EPZ/STP/ EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, etc., two years after their use by the said units is permitted.

19. The second-hand computers and computer peripherals donated by an outside donor to Government schools and recognised schools run on a non-commercial basis by any organisation are exempted from customs duties.

20. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which

has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

21. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

22. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India.

23. Under policy on portfolio investment, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit was raised from 40% to 49% in the Budget 2001-02.

24. Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.

25. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can be reconverted into ADRs/GDRs, subject to sectoral caps.

26. Indian Companies wishing to invest abroad may now invest upto US$ 100 Million on an annual basis through automatic route without being subject to the three year profitability condition, up from existing limit of US$ 50 million (Budget announcement 2002-03).

27. Indian Companies making overseas investment in joint ventures abroad by market purchases may now do so without prior approval upto 50% of their net worth, up from existing limit of 25% (Budget announcement 2002-03).

28. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research is available.

29. Information Technology Act 2000 dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place to encourage expansion of e-commerce through internet.

Internet telephony

1566. SHRI SANTOSH BAGRODIA: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government plan to introduce internet telephony via VSNL in the near future;

(b) if so, the details thereof;

(c) if not, the reasons therefor;

(d) whether there are any private Internet Service Providers who are offering internet telephony in the open market; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRIMATI SUMITRA MAHAJAN): (a) and (b) As per the policy, Internet Service Providers (ISPs) are permitted to offer Internet Telephony after obtaining due permission. Videsh Sanchar Nigam Limited (VSNL) have been permitted to offer Internet Telephony Service. As per the information furnished by VSNL, they are already providing this service to their corporate customers.

(c) Does not arise in view of (a) and (b) above.

(d) Yes, Sir.

(e) As on 28-02-2003, private ISPs have been permitted against 97 licenses to offer Internet Telephony Service, out of which start of Internet Telephony Service has been reported in respect of 44 licences.